ENERGY ASSURANCE DAILY

Monday Evening, June 16, 2008

Major Developments

MIDWEST FLOODS UPDATE:

Towns along the Upper Mississippi River Brace for More Flooding June 16-18 Petroleum Products, Coal, and Ethanol Barge Traffic Remain Suspended

Surging waters from the Iowa and Cedar rivers are now flowing into the upper Mississippi River, putting towns along the Iowa-Illinois border at risk. Officials expect the Mississippi River to crest along the Iowa-Illinois border by Tuesday, June 17, or Wednesday, June 18, depending on the exact location. By Sunday, June 16, the U.S. Army Corps of Engineers expected to have closed Locks 12 through 25, making 315 miles of the Mississippi River inaccessible to commercial river traffic. Flooding has made the locks inoperable. All affected locks are located north of St. Louis. Affected river traffic includes barges carrying petroleum products, coal and ethanol. Mississippi River Locks Map: http://www.mvr.usace.army.mil/PublicAffairsOffice/LockLocationMap.pdf http://www.chicagotribune.com/news/chi-jowa-floods-monjun16.0.3194135.story

Major Railroads Issue Embargos on Midwest Rail Traffic due to Floods June 13 Coal and Ethanol Shipments Impacted

Record rains have resulted in stream and river flooding, which has washed out or weakened bridges and sections of main line track in parts of the Midwest. As a result, major railroads have been forced to issue embargos on rail traffic on several lines in Iowa and near the Mississippi River. Track damage has been the most severe in Iowa, where 54 of 99 counties have been declared disaster areas. Many trains that transit Iowa carry coal from Wyoming and Montana, to points in the Midwest, including the Chicago rail hub. Railroads are also important for the movement of ethanol out of Iowa, the largest ethanol producing state.

- Union Pacific (UP) has issued an embargo on traffic moving on certain parts of its east-west main line across Iowa due to significant damage to its rail network. Due to the widespread nature of the flooding, UP has only limited reroute capability. Based on current conditions, UP anticipates that the embargo will be in place for as long as a week, however, weather conditions ultimately determine when the embargo can be lifted. Coal is the only commodity exempted from the embargo. UP says that about a third of the railroad's coal shipments move across Iowa.
- BNSF has closed its east-west main line across southern Iowa due to flooding at Ottumwa. Flooding on the
 Mississippi River has also closed BNSF's east-west line via Quincy, Illinois, and main lines are out of service
 along the Mississippi at several locations between Burlington, Iowa, and St. Louis, Missouri, and between St.
 Louis and Memphis, Tennessee. Although BNSF's Transcon main line remains open at Fort Madison, Iowa,
 trains through that area are experiencing delays as the company raises its main line tracks to keep them above
 water.
- Iowa Northern Railroad, a major shipper of ethanol, has reported significant service disruptions due to
 flooding in the region and has embargoed service into Waterloo and points south to Cedar Rapids until further
 notice.

Although coal shipments continue to move along UP lines through Iowa, traffic has been slowed around areas affected by flooding. UP and BNSF Railway warn of coal traffic delays that could last for a month or more on some routes. Other railroads, including Norfolk Southern, CSX, CN, and Indiana Rail Road have also reported operational shutdowns and delays throughout the flood-affected Midwest.

http://www.uprr.com/customers/updates/2008/0612.shtml

http://domino.bnsf.com/website/updates.nsf/updates-service-

consumer/34BF3C78515F38FC8625746A0067FC33?Open

http://www.iowanorthern.com/

http://www.platts.com/Coal/News/8804826.xml

http://www.progressiverailroading.com/news/article.asp?id=16964

Update: Alliant Shifts Focus to Clean-Up in East Central Iowa as Floodwaters Recede

A company statement, released June 14, indicates that Alliant Energy continues to restore to power to its East Central Iowa customers cut off by flood damage to the company's electric power system. The company encouraged its customers in the Cedar Rapids area impacted by the flooding to prepare for potential extended electric outages. The length of the outages will depend, in part, on the extent of flooding damage to Alliant's electric system. A local newspaper reports that Alliant hopes to restore power to part of Cedar Rapids with a large temporary generator. As of 3:00 PM EDT, June 16, Alliant Energy's website reported that 5,896 customers remain without power in the company's East Central Iowa region, which includes the flooded city of Cedar Rapids. This number is down from 17,934 customers without power on June 13. However, a note on the Alliant's website has cautioned since June 13 that outage numbers may not be accurate or up to date due to storm-related issues with the electronic distribution system. Alliant Energy shut its operations center in Cedar Rapids for safety reasons on June 12, and as of June 14, entrance to the facility remained prohibited. Flooding also shut three of Alliant coal-fired power plants in the area – the 72 MW Sixth Street power plant, the 185 MW Prairie Creek power plant, and the 143 MW Sutherland Station. Outage Page: http://www.alliantenergy.com/docs/groups/public/documents/pub/p013332.hcsp
http://www.alliantenergy.com/docs/groups/public/documents/pub/p016750.hcsp
http://www.gazetteonline.com/apps/pbcs.dll/article?AID=/20080616/BUSINESS/46817935/1007/business
http://www.gazetteonline.com/apps/pbcs.dll/article?AID=/20080616/BUSINESS/46817935/1007/

Coal and Energy Price Report, June 16, 2008, Energy Publishing, Inc

National Guard, MidAmerican Workers Sandbag to Protect Critical Substation near Iowa City Over Weekend

National Guard troops and MidAmerican Energy employees worked from Friday, June 13, until early Sunday, June 15, to build sandbag walls to protect MidAmerican's Hills substation south of Iowa City from floodwaters. A statement from the Iowa governor's office, released June 14, called the facility a "critical power station" and noted that if the substation failed, it would affect large parts of Iowa, including the Iowa City area, and could affect the electricity grid as far away as Minneapolis and St. Louis. According to the Iowa City Director of Public Works, power to Iowa City would go out if the substation were flooded and MidAmerican could not route power from other locations. Officials believe that the substation is well protected and don't expect it to flood. http://www.press-citizen.com/apps/pbcs.dll/article?AID=/20080616/NEWS01/806160308/1079

300 Million Gallons of Iowa Ethanol Production Offline - Iowa RFA No Significant Supply Disruptions Expected to End Markets

An estimated 300 million gallons of Iowa's 2.2 billion gallon annual ethanol production is currently offline due to flood conditions in the state, the Iowa Renewable Fuels Association reported. If predictions of river cresting into early next week prove correct that number could grow to over 400 million gallons. IFRA estimates that it could be some time before production returns to normal levels. No ethanol or biodiesel refinery has reported a disruption of feedstock supply that will impact operations. Given the inherent flexibility of biofuels distribution (rail, truck, barge), no plants have reported an inability to ship fuel to destination markets. However, railroad operations have been greatly impacted by the flooding. Delays are widespread. At least one bridge has collapsed on a rail line that services several ethanol plants. Also, many highways and I-80 have been/will be closed. Despite these problems, IRFA does not expect any significant supply disruption to end markets.

http://www.farmfutures.com/ME2/dirmod.asp?sid=CD26BEDECA4A4946A1283CC7786AEB5A&nm=News&type=news&mod=News&mid=9A02E3B96F2A415ABC72CB5F516B4C10&tier=3&nid=B76A43030E754700B44A9B1FC3E45E7D

Electricity

Storms Knock Out Power to 176,299 Customers in Illinois June 15

Storms cut electricity to 140,000 ComEd customers as well as an additional 36,299 customers in Illinois Sunday morning. Separate storms cut power to 50,000 ComEd customers last Thursday and Friday, June 12 and 13. As of early this morning, June 16, ComEd had restored service to all but 9,900 customers. Ameren reported 1,138 customers remained in the dark as of this afternoon.

http://www.wthitv.com/Global/story.asp?S=8494974

http://www.suburbanchicagonews.com/couriernews/news/1005575,3 1 EL14 A1WEATHER S1.article http://www.wbbm780.com/pages/2391383.php?

http://www.ameren.com/outage/adc rs stormcenter.asp

Storms Knock Out Power to 126,716 Customers in Virginia, Maryland and DC June 16

The storms cut power to 107,153 Dominion Power customers in Virginia and 19,563 Pepco customers in Washington, D.C. and Maryland. Figures are as of this afternoon, around 4:30 PM.

http://www.dom.com/news/outage_sos.jsp

http://www.pepco.com/home/emergency/maps/zip/default.aspx

Storms Knock Out Power to 56,000 Xcel Energy Customers in Minnesota June 14

As of last night, June 15, fewer than 1,000 customers remained in the dark. Xcel expected to restore the remaining customers by the evening of June 16, at the latest.

http://www.startribune.com/local/west/19956629.html?location_refer=Homepage:highlightModules:7 http://www.kare11.com/news/news_article.aspx?storvid=515106&catid=14

Xcel Warns Customers of Possible Blackouts This Summer as Demand Increases Squeeze Supplies in Eastern New Mexico and West Texas

Xcel Energy customers could face hour-long rolling blackouts this summer, the company said, as energy supply fails to keep pace with soaring demand. Xcel said it plans to shut down electric customers in blocks, for hour-long intervals, should the shortage threaten the system. The company said increased demand from the region's burgeoning oil and gas industry, as well as farmer—who now use electricity to feed irrigation pumps—have caused the supply crunch.

http://www.tradingmarkets.com/.site/news/Stock%20News/1684288/

Southern's 870 MW Hatch Nuke Unit 2 in Georgia Reduced to 87 Percent by June 14

The Nuclear Regulatory Commission reported that on the morning of June 13 the unit was operating at full power. Information derived from the NRC Power Reactor Status Reports:

http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/

Constellation's 1,120 MW Nine Mile Point Nuke Unit 2 in New York at Full Power by June 16

The Nuclear Regulatory Commission reported that on the morning of June 15 the unit was operating at 90 percent. Information derived from the NRC Power Reactor Status Reports:

http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/

SCE&G's 966 MW Summer Nuke Unit in South Carolina Ramped Up to 77 Percent by June 16

The Nuclear Regulatory Commission reported that on the morning of June 15 the unit was operating at 47 percent. Information derived from the NRC Power Reactor Status Reports:

http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/

Duke's 756 MW Moss Landing Gas-fired Unit 7 in California Returns to Service June 14

According to the California Independent System Operator, the unit experienced an unplanned outage on June 13. http://www.caiso.com/unitstatus/data/unitstatus200806141515.html

Elk Hills Power's 552 MW Elk Hills Gas-fired Unit in California Returns to Service June 14

According to the California Independent System Operator, the unit experienced an unplanned curtailment of 327 MW on June 13.

http://www.caiso.com/unitstatus/data/unitstatus200806141515.html

Calpine's 525 MW Sutter Gas-fired Unit in California Returns to Service June 13

According to the California Independent System Operator, the unit returned from an unplanned curtailment of 264 MW.

http://www.caiso.com/unitstatus/data/unitstatus200806131515.html

PG&E's 407 MW Helms Hydroelectric Unit 2 in California Returns to Service June 13

According to the California Independent System Operator, the unit returned from an unplanned outage. http://www.caiso.com/unitstatus/data/unitstatus200806131515.html

OPG's 490 MW Nanticoke Coal-fired Unit 5 in Ontario Shuts by June 16

The unit idled for short work, according to the company. The company did not say when it would restart the unit. Traders expected it back online within a week.

Reuters, 08:19 June 16, 2008

TransAlta's 279 MW Wabamun Coal-fired Unit 4 in Alberta Shut June 14

Reuters, 8:56 June 16, 2008

Update: Florida Appeals Court Orders FDEP to Issue Site Permit for Seminole Electric's Proposed 750 MW Seminole Coal-fired Unit 3 in Florida

The Florida Department of Environmental Protection (FDEP) denied Seminole Electric Cooperative's request for a necessary site permit in August, 2007, effectively stalling the project. A Florida Appeals Court, however, ruled against the FDEP June 13, ordering the regulatory body to issue the certification. Original plans called for the unit to enter service in May, 2012. That start-date has been pushed back "by at least two years," according to a spokesperson. The clean-coal unit will be built on the site of Seminole's existing Seminole Generating Station in Florida.

http://www.seminole-electric.com/public/2008/seci 2008-06-13 NR appeal.pdf

Noble Environmental Power to Break Ground on Four Wind Farms in New York State This Week—Facilities to Produce a Combined 351 MW of Power

The four facilities will produce a combined 351 MW of power. They are: the 97.5 MW, 65-turbine Noble Altona Windpark, the 126 MW, 84-turbine Noble Wethersfield Windpark, and the combined 127.5 MW, 85-turbine Noble Chateaugay and Noble Bellmont Windparks.

PRN, 10:42 June 16, 2008

PPL to Double Output at 109 MW Holtwood Hydroelectric Dam in Pennsylvania

PPL plans to build a second powerhouse at the dam by 2011. The project would require FERC and state approvals. http://www.baltimoresun.com/news/local/bay environment/bal-te.md.dam15jun15,0,1291485.story

Electrical Problem Erroneously Sets Off Control Room Alarms at DTE Energy's 1,111 MW Fermi Nuke Unit 2 in Michigan June 13

DTE Energy declared a low-level emergency, and employed a back-up power source to feed the alarms. The incident did not impact plant operations, according to news sources.

http://www.wfrv.com/content/news/state/michigan/story.aspx?content_id=1ae5a04c-6f63-4102-ac1e-242e965fac9b&rss=857

Citing Safety Lapses, NRC to Increase Oversight of NPPD's 778 MW Cooper Nuclear Power Plant in Nebraska

The Nuclear Regulatory Commission (NRC) issued a "white" inspection finding, representing "low to moderate" safety importance, according to a news source. Inspectors concluded that certain emergency procedures would impede workers' attempts to shut down the plant during a large fire. The inspection took place last year. The Nebraska Public Power District (NPPD) said it "took immediate action to correct" the problems. Bloomberg News, 10:50 June 16, 2008

NRC Reviewing License Applications for 13 New Nuclear Reactors in United States—12 More Plants to Seek Approval This Year

The Nuclear Regulatory Commission (NRC) is evaluating license applications for 13 new nuclear reactors, and companies plan to submit proposals for another 12 by this year's end. The reactors would be located in 15 different states. Before the projects can move forward, interested companies must arrange funding, secure loans, and earn consent to boost customer rates. If approved, the first of the plants could come online by 2016. http://www.elpasotimes.com/ci 9582547?source=most emailed

Ameren Considering 1,600 MW Nuclear Power Plant Next to Callaway Nuclear Power Plant in Missouri

Ameren may apply for a construction and operating license as early as July 2008. The company will not decide whether to build the facility until 2010.

http://www.semissourian.com/apps/pbcs.dll/article?AID=/20080615/NEWS03/26956502/-1/RSS

Fire Shuts 150,000 b/d of StatoilHydro Oil Production in North Sea June 15

A fire triggered an alarm at 5:30 PM, June 15, and automatically stopped oil output at the 90,000 b/d Oseberg A oil platform. Workers extinguished the fire, but the incident halted Oseberg and multiple neighboring fields. All told, the event idled 150,000 b/d of oil production. StatoilHydro restored production from the Barge and Veslefrikk fields, but the Oseberg Field centre, Oseberge South, Oseberg East, and Thune remain down, as of latest reports. The company continues to fix damaged infrastructure, and has yet to determine the cause of the blaze. Sources were unsure when the platform would return to full output.

http://biz.vahoo.com/ap/080615/norway_oil_platform_fire.html?.v=3

http://uk.reuters.com/article/oilRpt/idUKL1561792620080615

Reuters, 07:12 June 16, 2008 Reuters, 03:36 June 16, 2008

Update: ConocoPhillips to Restart FCC at 247,000 b/d Belle Chasse, Louisiana Refinery

The gasoline-producing fluid catalytic cracking unit (FCC) will return to full rates by this weekend, according to a spokesman. The unit was shut for unplanned repairs in early June at which time; the company indicated that the shutdown would have "a small impact on production."

Reuters, 09:16 June 16, 2008

Bloomberg News, 11:00 June 16, 2008

Update: Saudi Arabia Will Increase Oil Output by 200,000 b/d in July, UN Secretary-General Says

UN Secretary-General Ban Ki-moon met with Saudi Arabia's oil minister, and said afterward that Saudi Arabia would hike oil production by 200,000 b/d this July. Separately, the New York Times reported Saudi Arabia would increase crude output by approximately 500,000 b/d.

http://www.ft.com/cms/s/0/ce798092-3af9-11dd-b1a1-0000779fd2ac.html?nclick_check=1

http://online.wsj.com/article/SB121355902769475555.html?mod=hps_us_whats_news

http://www.usatoday.com/news/world/2008-06-15-oil N.htm

http://www.nytimes.com/2008/06/14/business/14oil.html?hp

http://news.yahoo.com/s/ap/20080614/ap_on_bi_ge/saudi_oil;_ylt=AmferNKVTqEwRhHusmRo9kBI2ocA

Natural Gas

Update: Anadarko Restores Independence Hub in Gulf of Mexico to Pre-Shutdown Levels—Platform is Producing 900 MMcf/d of Natural Gas, Company Says June 16

Anadarko Petroleum Corp shut the 1 Bcf/d platform in early April due to a leak in the associated Independence Trail Pipeline. At the time of the incident, the platform was producing slightly below capacity, at about 900 million cubic feet per day (MMcf/d).

Reuters, 08:43 June 16, 2008

As Companies Turn to LNG and Unconventional Sources to Make up for Lagging Natural Gas Supplies—Fuel Quality and Consistency Problems on the Rise

U.S. demand for natural gas will soon exceed supply, and experts expect the industry to turn to alternative gas sources—liquefied natural gas (LNG) and synthetic gasses—to fill the energy gap. By 2020, the American Gas Association estimates, LNG will account for 22 percent of the natural gas in pipelines. Combustion turbines, adapted to burn gas of consistent quality and composition, are experiencing problems as supply inconsistencies create variability in gas composition.

http://www.redorbit.com/news/business/1433261/meeting gas quality challenges/

Corridor Resources Announces Successful Open Season for Proposed 3-to-3.5 Bcf Natural Gas Storage Cavern in New Brunswick, Canada

The build would include a pipeline from the cavern to Corridor Resources' existing pipeline system. It would also involve improvements to the company's pipeline connection with the Maritimes & Northeast pipeline. CJX-CDH, 08:47 June 16, 2008

Update: Citing Weaker Market, VeraSun Postpones Plans for Two 110 Million Gallon/Year Ethanol Plants in Minnesota and Iowa

VeraSun Energy Corp postponed plans to open two 110 million gallon/year ethanol plants—one in Minnesota and another in Iowa—as ethanol prices fail to keep pace with soaring corn rates. The plants had been expected to come online in the second quarter of this year. VeraSun said it is "optimistic" the plants will open "as soon as possible," but could not say if they would still enter service this year.

Reuters, 13:13 June 16, 2008

Energy Prices

U.S. Oil and Gas Prices June 16, 2008			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	135.46	135.99	67.95
NATURAL GAS Henry Hub \$/Million Btu	12.51	12.71	7.58

Source: Reuters

Energy Notes

Storms Cut Power to Almost 19,000 Connecticut Light & Power Customers in Connecticut June 14

http://www.courant.com/news/local/statewire/hc-14204010.apds.m0968.bc-ct--powejun14,0,6040668.story

Storms Knock Out Power to 15,700 AEP Customers in Ohio June 13 http://www.cantonrep.com/index.php?ID=416632&Category=9&subCategoryID=0

Storms Cut Power to 10,000 Duke Energy Customers in Indiana June 15—Power Restored to Most by Early Morning June 16

http://www.jconline.com/apps/pbcs.dll/article?AID=/20080616/NEWS09/80616001

Possible Analyzer Malfunction Triggers Flaring at BP's 475,000 b/d Texas City, Texas Refinery June 14 and 15

Bloomberg News, 08:35 June 16, 2008

U.S. Energy Secretary Bodman Says 500,000 b/d Saudi Arabian Oil Output Hike would be a "Meaningful Gesture"

Reuters, 09:59 June 16, 2008

For First Time since War, Iraq to Initiate Oil Bid Round in July for Long-Term Development of Oil and Gas Fields—Iraqi Oil Minister http://www.platts.com/Oil/News/8808593.xml?p=Oil/News&sub=Oil

Emergency Workers Detonate Half-Stick of Dynamite Found Underneath Williams Gas' Natural Gas Pipeline in Idaho

StatoilHydro Discovers Estimated 35 Bcf-to-106 Bcf of Natural Gas at Galtyort Prospect in Norwegian Sea

Reuters, 02:55 June 16, 2008

Five-Day Strike Blocking 35 Oil Tankers at Fos-Lavera Oil Port in France June 16 Reuters, 09:07 June 16, 2008

Update: Cleveland-Cliffs Lifts Force Majeure at 1.4 Million Short Ton/Year Pinnacle Coking Coal Mine in West Virginia June 10

http://www.platts.com/Coal/News/6900927.xml?p=Coal/News&sub=Coal

Federal Mine Safety and Health Administration Proposes Rules to Require Airtight Emergency Shelters in Coal Mines

http://www.dailypress.com/news/local/virginia/dp-wv-minesafety-refuge0613jun13,0,4652199.story

Coal Miners and Management Reach Tentative Deal to End Strike at Absaloka Mine in Montana

http://www.montanasnewsstation.com/Global/story.asp?S=8491559

Six Workers Suspended at AEP's Cook Nuclear Power Plant in Michigan—Investigators Cite Inattentiveness to and Improper Use of Security Cameras

http://www.mlive.com/newsflash/index.ssf?/base/business-16/1213462441315090.xml&storylist=newsmichigan

Update: DOE Formally Pulls Out of Future Gen Alliance – Plan to Build Coal-fired Power Plant in Illinois

http://www.chron.com/disp/story.mpl/ap/tx/5836717.html

Citing High Prices, G8 Finance Ministers Say Oil Producers Should Increase Production http://www.washingtonpost.com/wp-dyn/content/article/2008/06/14/AR2008061401505.html http://www.nytimes.com/2008/06/15/business/worldbusiness/15ministers.html?ref=todayspaper

Orbit Gas Storage Plans Kentucky Energy Hub—Would Store Natural Gas in Geologic Formation

http://www.kentucky.com/471/story/434610.html

Honda to Build 200 FCX Fuel Cell Cars In Next Three Years—At Least Some Are Headed for Southern California

http://money.cnn.com/galleries/2008/autos/0806/gallery.honda_fcx_clarity/index.html?cnn=yes

Links

This Week in Petroleum from the Energy Information Administration (EIA)

http://tonto.eia.doe.gov/oog/info/twip/twip.asp

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp

Updated after 2:00 PM EST every Thursday.

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